



APPENDIX.

First Example.

At time of compromise, trust had been in existence for eight years; trust expectancy was 48 years because that was expectancy of youngest child. Mr. Garland's expectancy was 23 years. And the income \$27,600 per annum.

Assuming that Garland lived his full expectancy and that Alzoa and the four children survived him:

Under original trust children would have received (\$14,400 plus \$45,000 plus \$63,000) \$122,400 during the remaining 12 years of their 20-year term.

Under the compromise they would receive \$74,520 (12 times \$6210) during that 12 years.

They would give up \$47,880 for that 12-year period.

For the next 11 years, they or their issue would have received nothing *under original trust*. But *under compromise* they receive \$6,210 a year, or a total of \$68,310, some \$20,430 more than they surrendered for the 12-year period.

During the remaining 25 years of the 48-year period (assuming Alzoa's survival), children would give up income which otherwise would have come to them through their father's death, everything in excess of \$15,000, or \$12,600 a year, which in 25 years amounts to \$315,000. This sum less \$20,430 leaves \$294,570 as the net surrender of income by the four children.

The unborn remaindermen surrender \$120,000 which would not mature for 48 years and which, on a $2\frac{1}{2}\%$ basis, has a present worth of \$36,680.52. We are unable

to compute the present worth of the children's share because of the eleven-year hiatus and the inapplicability of available tables.

Second Example.

Assume that Alzoa dies at the end of 12 years but that William lives his full 23-year expectancy:

The four children would have *under the compromise* for the balance of the 48-year term $62\frac{1}{2}\%$ of the income (\$9315 plus \$6210 times 36) or \$558,900, whereas *under original trust* they would have had nothing during the 11 years next following Alzoa's death (for the 20-year period would have expired and Alzoa's share would have reverted to William, who would have been entitled to everything until his death), but would have had all the income for the remaining 25 years (25 times \$27,600) or \$690,000; they would thus surrender \$131,100, as contrasted with remaindermen's \$120,000.

During the twelve years preceding Alzoa's death they would have received \$74,520 *under the compromise* or \$122,400 *under the original schedule*,¹ thus surrendering \$47,880 for this period. Added to \$131,100 we have a total yielding of income of \$178,980 as against the remaindermen's \$120,000.

Third Example.

Assume that both Alzoa and William die at the end of 13 years:

Then the four children would thereafter have *under the compromise* $62\frac{1}{2}\%$ of the income (\$15,525) for 35 years or \$543,375, whereas they would have had it all

¹See First Example.

under the original trust (35 times \$27,600) or \$966,000. They thus surrender for this 35 years a total of \$422,625, while the remaindermen yield \$120,000 which would not be coming to them for 48 years.

The present worth, at that time, of the children's surrender—a $2\frac{1}{2}\%$ annuity of \$12,075 (\$27,600 minus \$15,525) for 35 years, is \$279,477.08,² while the present worth of a flat sum of \$120,000 due 35 years hence is \$50,564.40 on a $2\frac{1}{2}\%$ basis.³

Fourth Example.

Assume that William dies immediately after the compromise and that Alzoa survives the entire 48-year trust expectancy:

Her children would have for that 48 years an income of \$6,210 per year or \$298,080 *under the compromise*.

Under the original trust they would have had \$12,600 a year, all excess over Alzoa's \$15,000. 48 times \$12,600 is \$604,800.

Upon this hypothesis the children would surrender an annuity of \$6,390, or a total of \$306,720, as against the remaindermen's \$120,000.

An annuity of \$6,390 for 48 years on a $2\frac{1}{2}\%$ basis has a present worth of \$174,170.74, while the present worth of \$120,000 due in 48 years (at $2\frac{1}{2}\%$) is \$36,680.52.

The death of William increased the corpus \$174,950.
[R. 537.]

²Computed according to table at page 1742 of Paton's Accountant's Handbook.

³*Id.* p. 1734.

Fifth Example.

Assume that William J. Garland dies immediately after compromise and that Alzoa lives 10 years:

Her children would have *under the compromise* 10 times \$6,210 equals \$62,100 for the 10 years of their mother's life and then 62½% (\$9,315 plus \$6,210) for the remaining 38 years of the trust or \$589,950, which added to \$62,100 makes \$652,050; to be compared with the *original schedule* of 10 times \$12,600 equals \$126,000 for 10 years plus 38 times \$27,600 (entire income) equals \$1,048,800 for balance of term, or a total of \$1,174,800. Children thus surrender \$522,750 as against remaindermen's \$120,000.

Sixth Example.

Assume that Garland dies immediately after compromise and Alzoa lives for 20 years:

Her children would *under the compromise* receive (20 times \$6,120) \$124,200 for 20 years, and then 62½% (\$6,210 plus \$9,315) for 28 years (28 times \$15,525 equals \$434,700) which added to \$124,200 makes \$558,900. This is to be compared with *original schedule* of 20 times \$12,600 equals \$252,000, plus 28 times \$27,600 equals \$772,800, or a grand total of \$1,024,800.

Upon this hypothesis the children surrender \$465,900, while remaindermen yield but \$120,000.

Seventh Example.

Assume that Alzoa dies immediately after compromise but that William J. Garland lives his full expectancy:

The four children would then receive *under the compromise* 62½% for 48 years (48 times \$15,525) or

\$745,200. Under the original trust they would have received \$122,400 for 12 years, nothing for the next 11 years, and (25 times \$27,600) \$690,000 for the balance of the term. \$122,400 plus \$690,000 equals \$812,400.

In this event they give up \$67,200, while the remaindermen surrender \$120,000.

Eighth Example.

Assume that William J. Garland lived his expectancy of 23 years and that Alzoa and one child died in 1943 (during the third five year period) the child leaving issue:

That issue for a period of 8 years would receive under the compromise $\frac{1}{4}$ th of $62\frac{1}{2}\%$ of the income, or 15.6%, while under the original trust it would have been confined to its share of the \$750 and \$1250 per month, respectively. Assuming an annual income of \$24,840, 15.6% is \$3875 which this issue of a deceased child would receive for 8 years, or a total of \$31,000, whereas under the original scheme it would have received for this 8 year period $\frac{1}{4}$ th of \$750, etc., or a total of \$22,500,—a difference of \$8,500.

After the expiration of the 8 years, this grandchild continues to receive \$3875 per annum under the compromise. It would have received under the original trust nothing between 1951 and 1962; but after 1962 (date of William J. Garland's presumed death) would have received $\frac{1}{4}$ th of all the income ($\frac{1}{4}$ th of \$27,600) or \$6900 per annum.

Under the compromise the grandchild would receive 44 times \$3875, equals \$170,500 as income (1943-1987). Under original trust would receive \$22,500 over first 8 years; nothing for next 11 years, and \$172,500 for remaining 25 years (\$6900 times 25), or a total income of \$195,000 (\$172,500 plus \$22,500), a total surrender of \$24,500 in income. Each surviving child would stand on same basis and make same proportionate surrender.

In addition, the grandchild contributes a right to receive \$30,000 48 years hence, the present value of which, at $2\frac{1}{2}\%$, is \$9,170.

